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BOATING INDUSTRY

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ELECTRONICS 1990

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Why You're Waist-Deep in Electronics

Product Roundup for the New Year

Annual Boating Business Review

Industry Leaders' Predictions for '90

BOATING INDUSTRY

FEATURES

'90 Marine Electronics

The Boating Business '89
A statistical report on the market accomplishments recorded by recreational boating in the past year, based on the most current data available from trade associations and our own research. 37

Marine Electronics for 1990
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Communicating the Right Aura
It's not something you can cite, take a picture of, or even explain. An invisible communication is a major part of what goes on between a customer and a salesperson, and often no aura can mean no sale. 72

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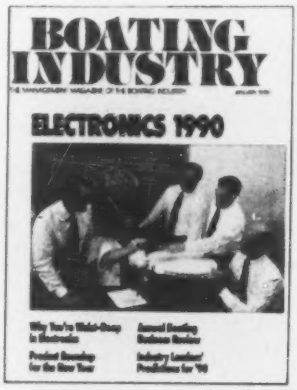

Cover
Engineers from the electronics division of the Shakespeare Co. and Weingard Inc. collaborate on the development of the 2010 Omnidirectional marine TV antenna.

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On the retailer and distributor side, two transactions overshadowed all others. E&B Marine, the country's largest discount accessories retailer, avoided financial ruin when a New York investor group agreed to provide the debt-strapped company with $6.7 million in cash. Coast Distribution of San Jose, Calif., purchased Atlanta-based Griffin's Marine for $19.4 million to become the industry's largest wholesale distributor.

While the industry counts among its most enthusiastic participants the current White House resident, the Federal Government continues to enact regulations of concern to boat builders and to raise the specter of more tax legislation. New EPA and OSHA regulations focusing on styrene resin affected boat manufacturers working with fiberglass, while other agencies have proposed to raise the federal gasoline tax, restrict and eventually ban the use of Halon (a fire retardant used extensively in boating), and enact a luxury tax on boat owners. State legislatures passed laws regulating the use of personal watercraft and the state of Florida proposed sweeping restrictions on recreational boating, some of which were enacted into law and some of which will be debated into 1990.

Other highlights:

☐ The NMMA began the year by launching a p.r. campaign "America On Water" which attempted to stress that average middle-class families are the primary consumers of boats. The association worked closely with the MRAA during the year to formulate a model manufacturer-dealer agreement, and then ended the year by celebrating its 10th anniversary.

☐ The MRAA became a more aggressive association on behalf of dealers as it pressed its concerns with both manufacturers and Washington lawmakers. Phil Keeter was appointed executive director, Sam Scherf became executive administrator, and Larry Innis was hired as a full-time lobbyist.

☐ BOATING INDUSTRY celebrated its 60th anniversary, *Saltwater Sportsman* Magazine celebrated its 50th anniversary, as did Mercury Marine and Tee-Nee Trailers.

☐ The America's Cup spent the year in court where it was first ruled to be the property of New Zealand before an appeals court decided San Diego should keep it. New Zealand now is appealing the appeal.

☐ Despite the America's Cup mess, professional sailing made great strides as both the Ziplock Ultimate Yacht Race Series and the Salem ProSail Series found sponsorship, audiences, and television contracts.

☐ Donald Trump entered the world of offshore powerboat racing by hosting the world championships at his Atlantic City, N.J. casino and marina. Despite celebrities galore, the event was considered a bust because of poor weather, heavy winds, and a death.

☐ Hurricane Hugo wrecked havoc on boatyards and marinas in the Charleston, S.C. area and an earthquake in San Francisco caused minimal damage to area boating businesses.

☐ Hawaiian real estate developer Thomas Gentry broke the trans-Atlantic powerboat speed record and Floridian Warren Luhrs broke the 135-year-old sailing record from New York to San Francisco.

Boat Builders and Conglomerates Take Charge

The major trends of the 1980s have all managed to strengthen the position of boat builders at the forefront of the industry. Packaging has turned the outboard motor into an OEM commodity. Integration of the leading boat companies has brought economies of scale that have increased the total scope of the market. The big engine makers are larger than any single boat company, but because of their role with the retailer and the end user, the boat companies are now the "tail that wags the dog."

Listed below (in no particular order) are a few of the leading companies that have moved the boat builders into the driver's seat for the '90s.

Bayliner	Four Winns
Sea Ray	Chris-Craft
Tracker	Regal
Wellcraft	Boston Whaler
Carver	Chapparal

Fortune 500* Comparison of Top Boating Industry Conglomerates

COMPANY	SALES $ Millions	PROFITS $ Millions	ASSETS $ Millions	MARKET VALUE $ Millions	PROFITS AS PERCENT OF SALES % Rank	ASSETS % Rank
OUTBOARD MARINE Waukegan, Ill.	1,605.1	77.6	1,141.1	648.7	4.8	6.8

*SOURCE: Fortune Magazine, April 24, 1989

Size of the Recreational Boating Industry

ACROSS THE COUNTRY

PEOPLE: 73,287,000 Americans participated in recreational boating in 1989, having used the waterways more than once or twice during the year.

WATER SKIERS: Approximately 10,997,000 went water skiing, an increase 93,000 over 1988.

ALL BOATS: 15,573,000 pleasure craft made their way through U.S. waters, compared to 15,093,000 in 1988. The following is a breakdown by boat type and propulsion. Due to this format, the total of these individual estimates will exceed the total pleasure craft population estimate quoted above.

OUTBOARD BOATS: 7,887,000 were owned in 1989.

INBOARD BOATS: The 509,000 inboard boats owned include auxiliary-powered sailboats.

SAILBOATS: 1,282,000 sailboats without inboard power were in use in 1989. This figure does not include sailboards.

INBOARD/OUTDRIVE: There were an estimated 1,433,000 inboard/outdrive boats in use at the close of 1989.

OPEN-DECK BOATS: An estimated 206,000 deck boats were in use, an increase of 24,000 over 1988.

HOUSEBOATS: 37,500 houseboats were in use.

MISCELLANEOUS: 4,218,500 canoes, rowboats, dinghies and other craft were estimated to have been owned in 1989.

OUTBOARD MOTORS: 11,225,000 outboard motors were in use.

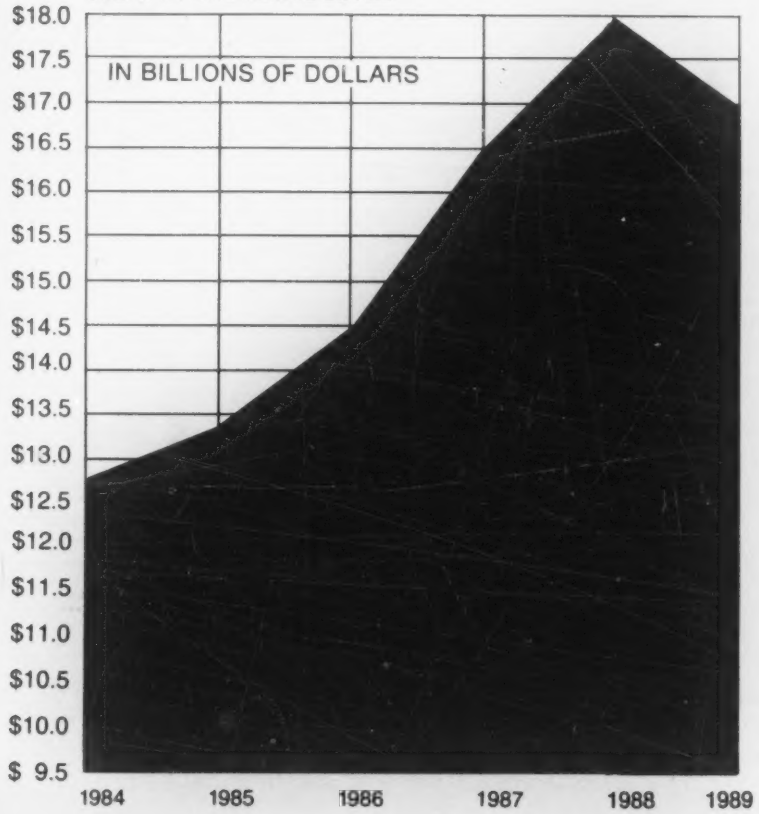
INBOARD ENGINES: 2,414,000 inboard gasoline and diesel marine engines were owned.

JET DRIVES: 102,000 jet drives were in use by the end of 1989.

BOAT TRAILERS: Approximately 5,887,000 boat trailers were owned in 1989, including both home-made and factory produced trailers.

MARINAS: Approximately 8,320 marinas, boatyards, yacht clubs, dockominiums and parks served boaters in the United States in 1989.

SPENT AT THE RETAIL LEVEL



1989 SALES ESTIMATES

Approximately $17,143,000,000 was spent at the retail level for new and used boats, motors and engines, accessories, safety equipment, fuel, insurance, docking, maintenance, launching, storage, repairs and club memberships.

Engines: 190,700 sold
Sailboats: 55,000 units sold
Pontoons: 26,400 sold
Canoes: 80,100 sold
Inboard boats (runabouts): 9,100 sold
Inboard boats (cruisers): 12,300 sold
Inflatables: 29,800 sold
Outboard motors: 430,000 sold
Outboard boats: 291,000 sold
Inboard/Outdrive boats: 291,000 sold
Trailers: 209,000 sold
Non-powered sailboats: 24,200 sold

SOURCE: NMMA

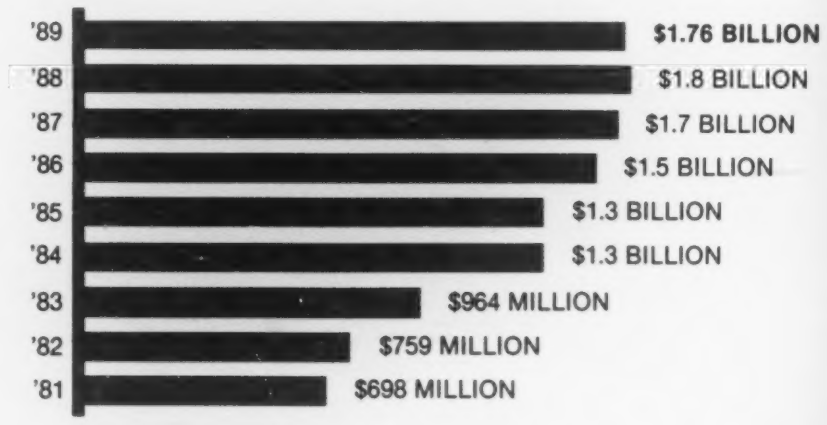
Sales of New Outboard Boats and Motors

IN DOLLARS AND UNITS

	1987	1988	1989
$4,103 AVERAGE RETAIL COST OF 1989 OUTBOARD MOTOR			
Total Units Sold	444,000	460,000	430,000
Retail Value	$1,725,828,000	$1,828,040,000	$1,764,290,000
Average Unit Cost	$3,887	$3,974	$4,103
$3,897 AVERAGE RETAIL COST OF 1989 OUTBOARD BOAT			
Total Units Sold	342,000	355,000	291,000
Retail Value	$1,001,003,000	$1,224,750,000	$1,134,027,000
Average Unit Cost	$2,927	$3,450	$3,897
$17,700 AVERAGE RETAIL COST OF 1989 INBOARD/OUTDRIVE BOAT			
Total Units Sold	144,000	148,000	133,000
Retail Value	$2,450,160,000	$2,584,672,000	$2,354,100,000
Average Unit Cost	$17,015	$17,464	$17,700
$991 AVERAGE RETAIL COST OF 1989 TRAILER			
Total Units Sold	216,000	223,000	209,000
Retail Value	$188,568,000	$209,996,000	$207,119,000
Average Unit Cost	$873	$940	$991

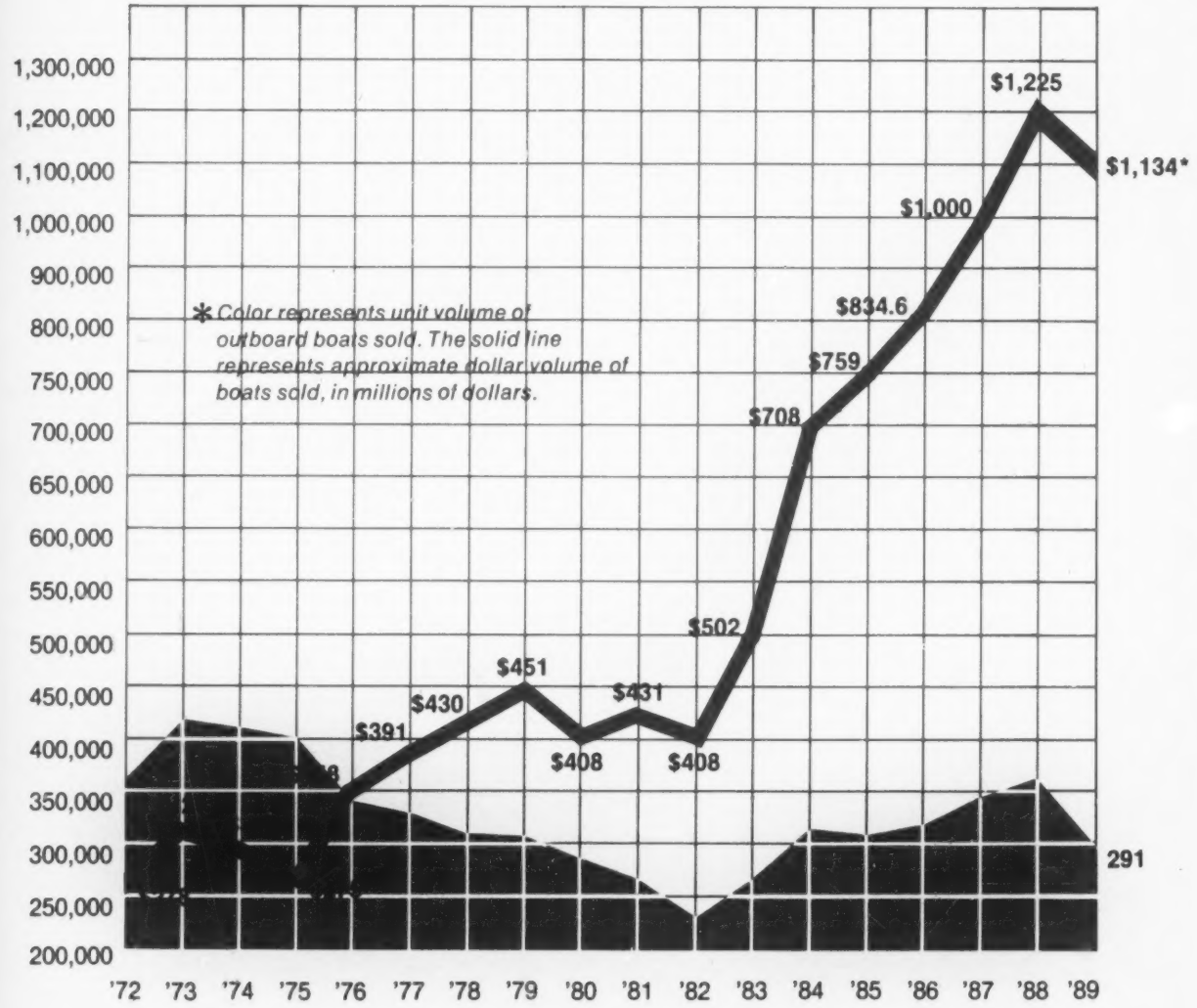
Outboard Motor Sales

Unit sales of outboard motors dropped by **30,000** units, a **7%** decline from the level set in 1988. In terms of dollars, outboard sales were down by **$63,750,000**, or **4%**, from '88, but they placed ahead of 1987 by $38,462,000. Prices continued to rise, this year jumping **3%**. Outboard packaging continued to escalate this year, with Japanese maker Yamaha entering OEM sales in '89. Loose outboard sales have diminished in importance at the retail level. In a 1989 BOATING INDUSTRY dealer survey, loose outboards averaged only 10% of retail dollar sales, as against 59% for boats.



SOURCE: NMMA

Outboard Boat Sales Level Off



Sales of outboard boats leveled off this year but remained in the billion dollar range. Sales dropped from $1,224,750,000 in '88 to **$1,134,027,000** in '89, an **7%** drop. An increase of **13%** in the price of an average outboard boat (from $3,450 in '88 to **$3,897** in '89) kept the dollar sales figure high. Unit sales were off considerably, down **18%** from 355,000 in '88 to **291,000** in '89.

Outboard boats are suffering the brunt of this year's sales slow-down. I/O boat sales declined only **10%** in terms of units. This may reflect the historically fickle entry-level market. In recessionary times, luxury and fishing markets tend to hold up well, while demand for entry-level boats, typically outboard-powered, falls off.

SOURCE: NMMA

Average Outboard Horsepower Jumps

AVERAGE OUTBOARD MOTOR HORSEPOWER

1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
37.7 HP	41.5 HP	43.3 HP	46.1 HP	48.9 HP	49.7 HP	50.1 HP	53.0 HP	56.5 HP	64.4 HP

The average horsepower of outboard motors sold jumped dramatically in '89, reaching a new high at **64.4 hp**. This dramatic increase from the 56.5 hp average in '88 can be attributed to a combination of factors. As the outboard boat statistics suggest, sales of smaller outboard boats declined last year. This would naturally mean reduced sales of smaller outboard motors.

The fishing and luxury markets, meanwhile, tend to remain consistently strong. Big, high-horsepower outboards are particularly popular among fishermen.

Japanese moves into the high-end market have also contributed to the jump in horsepower. Both Yamaha and Suzuki this year introduced high-end models in the 225 to 250 hp range.

Average Length of Outboard Boats Hits 10-Year High

AVERAGE LENGTH

1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
15.8 FEET	15.8 FEET	15.8 FEET	15.8 FEET	16.0 FEET	16.0 FEET	16.0 FEET	16.0 FEET	16.0 FEET	16.3 FEET

The average length of outboard boats purchased in the U.S. caught up with the high of **16.3 feet** reached in 1979. Curiously, the record prior to 1979 had been set in 1969 (15.9 feet). Is there some strange market force that drives boat lengths up at the end of each decade?

The only parallel BOATING INDUSTRY observes in these three figures is that they came in down years just following a peak in the market. This suggests that the rise may simply be a case of sales of smaller entry-level boat shrinking in a recessionary period, thus bringing up the average length of boats sold.

SOURCE: NMMA

Sailboat Industry Continues Its Slide

The sailboat industry continued its slide from the halcyon days of the energy crisis a decade ago. In the three statistical categories measured by the NMMA, dollar sales fell about **13%** from $311,329,000 in 1988 to $270,910,000 in 1989. Unit sales plunged some **29%** from 38,120 in 1988 to 27,200 in 1989. Worst hit was the non-powered sailboats category, plummeting below both 1988 and 1987 levels. Auxiliary-powered sailboats under 30 feet maintained the same units sold number, but the retail value increased by almost $6 million. While the overall figures are less than encouraging, several studies made public towards the end of the year offered some optimism. The National Sailing Industry Association (NSIA) released a study of 600 sailing owners or would-be owners which found "it is clear that there is a strong segment of hot prospects in the market today who plan to buy within the next two or three years." A survey of boat and accessory manufacturers conducted by International Marine Industries showed boat production had increased in the first half of 1989 and builders began to see a turnaround ahead. Also announced were plans by the NSIA to distribute in 1990 a million invitations to non-sailors to go for a sail at their local sailing school for just $5. The industry is attempting in various ways to prove to potential buyers that sailing is fun, a family activity, and not as difficult as it might seem.

	1987	1988	1989
NON-POWERED SAILBOATS, ALL SIZES*			
Total Units Sold	29,500	34,800	24,200
Retail Value	$75,815,000	$71,444,000	$38,308,000
Average Unit Cost	$2,570	$2,053	$1,583
AUXILIARY-POWERED SAILBOATS, 30 FT AND UNDER			
Total Units Sold	1,100	1,000	1,000
Retail Value	$39,329,400	$35,753,000	$41,146,000
Average Unit Cost	$35,754	$35,753	$41,146
AUXILIARY-POWERED SAILBOATS, 30 FT AND OVER			
Total Units Sold	2,900	2,320	2,000
Retail Value	$267,171,000	$204,132,000	$191,456,000
Average Unit Cost	$92,128	$87,988	$95,728

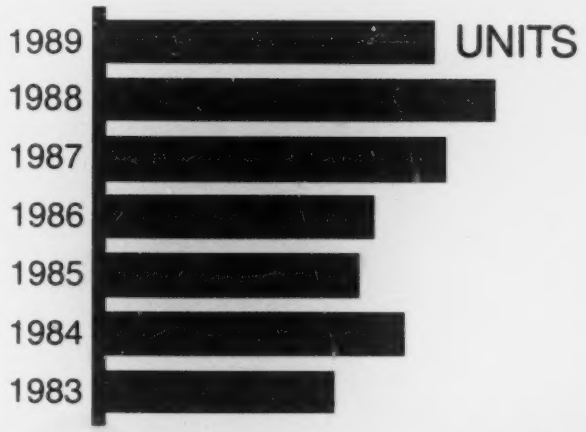
*DOES NOT INCLUDE SAILBOARDS

Trailer Sales Decrease

Trailer sales in 1989 experienced a unit decrease of **6%** from 1988. With a total of 209,000 trailers sold, 1989 marked the first drop in unit volume this segment has seen in four years.

Because the average retail cost of a trailer sold in 1989 was up by **5%**, the dollar value of units sold held strong at $207,119,000 (dropping only **1%** from 1988). The average cost of a trailer went up by **5%** for consumers in 1989, down from the average unit cost increase of approximately 8% in '88.

In light of 1989's decline in new boat sales, the demand for trailers appears to continue to be on the rise. This increase in demand is bound to continue as the availability of slip space declines in some areas and dock rates continue to increase nationwide.



SOURCE: NMMA

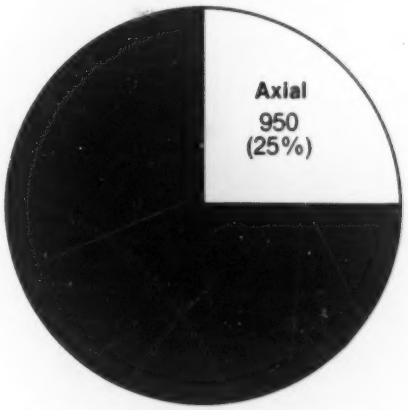
Jet Drives Thrust Ahead

Jet drives continue to grow in efficiency, reliability and popularity. Once considered exotic alternatives for custom applications, jet drives are increasingly offered by smaller OEMs as standard or optional propulsion systems.

Despite advances at the low and high ends of the jet drive market, unit sales for mid-range craft (15 to 40 feet) are modest. Tens of thousands of jet drives are used in personal watercraft, while large drives are heavily used in fishing and industrial applications. High-performance drives are a popular choice for high-speed custom yachts. The *Gentry Eagle*, which broke the transatlantic record this year, employed KaMeWa jet drives.

A BOATING INDUSTRY survey of major jet-drive manufacturers estimated '89 unit sales at **3,900**. This includes axial and mixed-flow drives designed for recreational boats in the 15- to 40-foot range (the mainstream of the industry). Mixed-flow drives are said to account for **75%** of this total.

1989 JET DRIVE SALES*
(in units)



**For recreational boats 15 to 40 feet.*

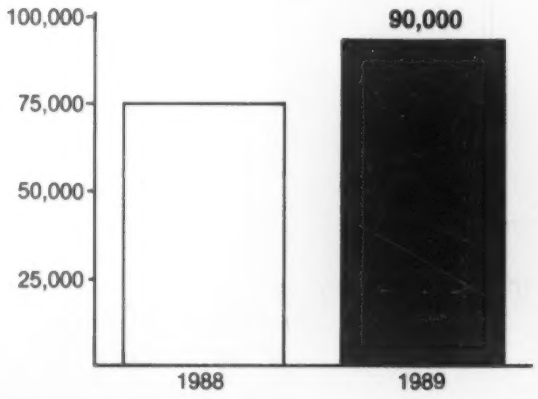
Personal Watercraft a Hot Ticket

Sales of personal watercraft hit an all-time high in '89. A BOATING INDUSTRY survey of top manufacturers placed '88 unit sales at 75,000, against this year's estimate of **90,000 units**. The **20%** increase was fostered by numerous product introductions from new manufacturers.

Bombardier, a Canadian firm, headed the list of new entrants vying for share against Kawasaki, the market leader, and Yamaha, the number two maker. In early '89, Yamaha began manufacturing watercraft in the U.S. at a new 338,000-square-foot plant in Newnan, Ga.

The market for jet ski type watercraft is virtually owned by Kawasaki, but Yamaha, Bombardier and a handful of others have been chipping away at Kawasaki's overall leadership with sit-down style watercraft.

PERSONAL WATERCRAFT SALES



SOURCE: BOATING INDUSTRY

Accessories Market Slides

The accessories market dropped **4%**, from $1.28 billion in '88 to **$1.23 billion** in '89. The decline mirrors that of the industry as a whole, but has not necessarily been uniform across all segments. Listed below are the principal accessories market segments:

Among these segments, BOATING INDUSTRY conducted surveys with manufacturers in a number of key segments. As in the boat business itself, market saturation is a key factor hampering the electronics business. There is excess manufacturing capacity and a glut of inventory. Meanwhile, price slashing and discount catalog and mass-market retail sales have kept profits low. Anticipation of Global Positioning Systems (GPS) is said to have led to a drop in loran sales.

The electronics segment has grown exponentially over the past five years. BOATING INDUSTRY estimates the total marine electronics market at **$350 million** in annual sales. This would account for **27%** of the overall accessories market.

This decade's boom in electronics naturally led to an increased need for electrical hardware and equipment. Fishfinders, stereo systems, lorans and radars require wiring and switch panels. Add an air conditioner and a microwave to your boat and you'll need plenty of power. Not surprisingly, generator sales reached new highs in this decade. Manufacturers estimate some **10,000** fixed units were sold in '89. At the same time, lightweight portable units have been a hit with small-boat owners.

Some market segments are growing despite the overall downturn. Sailboat accessories and hardware manufacturers have fared well despite a soft market for new boats. Used sailboat buyers have been snatching up new sails, winches, roller-reefing systems, etc., at a healthy pace. The U.S. sail market, for example, is estimated at **$80 million**, with more than **80%** of product being sold in the aftermarket.

The demand for marine coatings has always been reliable, but new products, such as teflon bottom paints and urethane topside paints, have helped expand the total market. BOATING INDUSTRY estimates the U.S. market for marine coatings at **$60 million**. Bottom paints account for roughly **45%** of the market. Topside paints (**23%**) and varnishes and urethanes (**14%**) are the next largest categories.

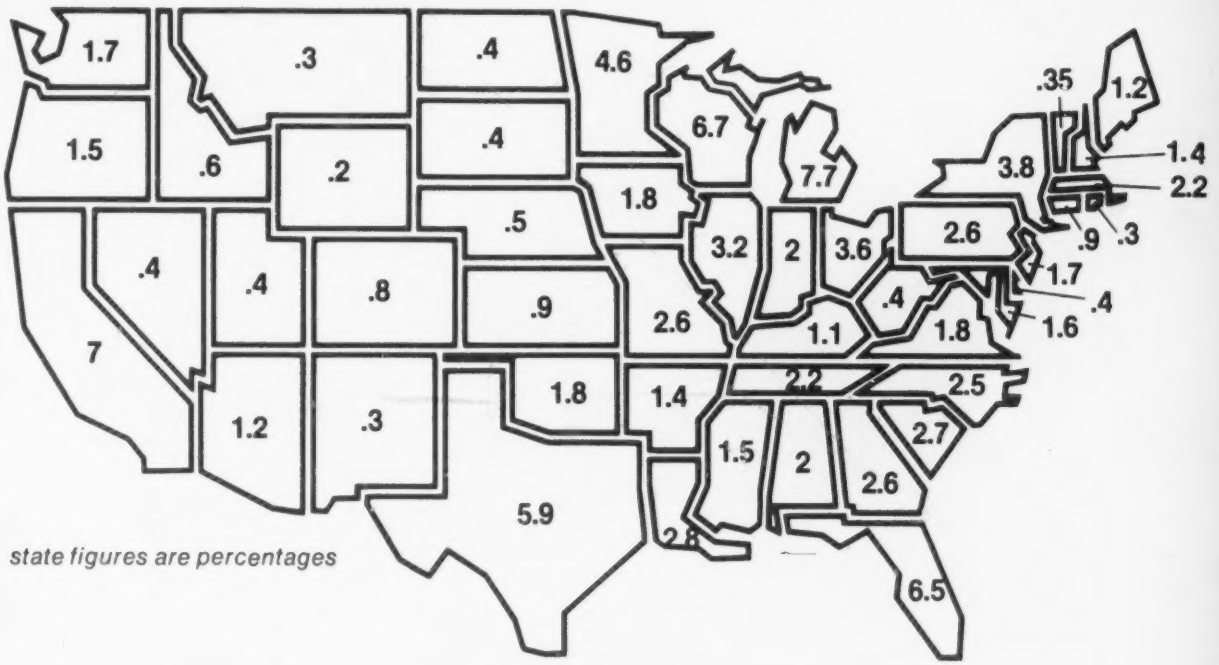
To put this business in perspective, one industry leader says that the major household paint manufacturers *spill* more paint than the marine coatings industry produces in a year. On the other hand, a typical can of semi-gloss latex costs considerably less than the $50 average for a can of bottom paint.

As in the boat building business, the word is out among accessories manufacturers that consolidation is ahead. The survivors are likely to be those who already have advantages in size and market share or who occupy a specialized or quality niche in the market.

- **Electronics**
- **Marine Hardware**
- **Marine Controls**
- **Propulsion Equipment**
- **Electrical Equipment**
- **Cordage**
- **Sanitation Equipment**
- **Heating & Air Conditioning**
- **Sails**
- **Marine Coatings**
- **Pumps**
- **Safety Equipment**
- **Other**

SOURCE: BOATING INDUSTRY

Distribution of 10,362,613 Registered Boats by State



state figures are percentages

Alaska	**.3%**	**N. Marianas**	**.0%**
Hawaii	**.1%**	**Puerto Rico**	**.27%**
American Samoa	**.0%**	**Virgin Islands**	**.04%**
Guam	**.01%**	**District of Columbia**	**.04%**

States	Population (thousands)	Total Registered Boats	% off Total Registered Boats in the U.S.	One Boat Per () Persons	Sq. Miles Inland Water	Miles of Coastal Shoreline	EFFECTIVE BUYING INCOME Per Capita	Median Household	Total Households (thousands)	Total Households over $20,000 (thousands)
NEW ENGLAND—523,321 Registered Boats 5.05% of U.S. Total										
Connecticut	3,266.6	94,819	0.92%	34.5	147	618	16,766	34,561	1,203.8	875.1
Maine	1,204.5	123,723	1.19%	9.7	2,270	3,478	11,550	23,079	453.1	257.6
Massachusetts	5,908.0	224,115	2.16%	26.4	460	1,519	15,518	30,811	2,227.7	1,507.6
New Hampshire	1,091.5	14,600	0.14%	74.8	286	131	14,752	31,033	408.2	284.8
Rhode Island	995.3	29,855	0.29%	33.3	158	384	12,989	26,388	366.5	227.9
Vermont	556.8	36,209	0.35%	15.4	341	–	11,615	23,167	211.1	121.0
MIDDLE ATLANTIC—2,028,902 Registered Boats 19.58% of U.S. Total										
Delaware	654.2	41,563	0.40%	15.7	112	381	12,787	26,446	236.7	147.6
Dist. of Columbia	623.8	4,054	0.04%	153.9	–	–	14,711	22,581	255.2	140.9
Georgia	6,439.0	264,698	2.55%	24.3	854	2,344	11,243	23,552	2,325.1	1,330.9
Maryland	4,666.0	168,763	1.63%	27.6	623	3,190	14,512	32,119	1,700.5	1,199.2
New Jersey	7,764.2	173,208	1.67%	44.8	319	1,792	16,590	33,929	2,861.7	2,030.1
New York	18,029.4	385,000	3.72%	46.8	1,731	1,850	13,724	25,608	6,807.2	4,103.7
North Carolina	6,554.1	256,264	2.47%	25.6	3,826	3,375	10,704	21,232	2,451.3	1,295.1
Pennsylvania	12,045.8	266,315	2.57%	45.2	420	89	12,180	24,404	4,575.0	2,704.2
South Carolina	3,511.0	282,611	2.73%	12.4	909	2,876	9,779	20,453	1,268.9	647.7
Virginia	6,047.2	186,426	1.80%	32.4	1,063	3,315	13,438	28,627	2,166.4	1,425.5

States	Population (thousands)	Total Registered Boats	% Of Total Registered Boats in the U.S.	One Boat Per( ) Persons	Sq. Miles Inland Water	Miles of Coastal Shoreline	EFFECTIVE BUYING INCOME Per Capita	Median Household	Total Households (thousands)	Total Households over $20,000 (thousands)
GULF COAST—1,947,794 Registered Boats 18.80% of U.S. Total										
Alabama	4,165.3	212,406	2.05%	19.6	938	607	9,406	18,593	1,544.7	725.3
Florida	12,506.5	675,474	6.52%	18.5	4,511	5,095	12,525	22,820	5,059.3	2,831.4
Louisiana	4,467.9	293,390	2.83%	15.2	3,230	7,721	8,910	18,649	1,579.6	744.4
Mississippi	2,667.4	159,413	1.54%	16.7	456	359	8,253	16,665	937.9	396.2
Texas	16,918.9	607,111	5.86%	27.9	4,790	3,359	10,881	22,539	6,047.9	3,334.1
EAST CENTRAL—796,318 Registered Boats 7.68% of U.S. Total										
Arkansas	2,435.4	147,050	1.42%	16.6	1,109	—	9,249	17,670	900.2	400.4
Kentucky	3,773.2	114,571	1.11%	32.9	740	—	9,637	18,961	1,376.0	657.4
Missouri	5,205.0	264,652	2.55%	19.7	752	—	11,545	22,898	1,935.7	1,082.8
Tennessee	4,948.2	224,709	2.17%	22.0	989	—	10,559	20,888	1,863.2	966.7
West Virginia	1,919.7	45,336	0.44%	42.3	112	—	8,744	17,314	730.6	318.7
GREAT LAKES—2,877,064 Registered Boats 27.76% of U.S. Total										
Illinois	11,674.3	326,483	3.15%	35.8	700	—	13,053	26,695	4,335.4	2,703.9
Indiana	5,597.2	213,585	2.06%	26.2	253	—	10,815	23,277	2,051.0	1,175.9
Michigan	9,335.3	788,453	7.61%	11.8	1,573	—	11,855	25,156	3,423.1	2,060.2
Minnesota	4,326.8	692,528	6.68%	6.2	4,854	—	12,439	25,327	1,616.6	979.2
Ohio	10,896.1	375,194	3.62%	29.0	325	—	11,497	23,708	4,125.0	2,366.9
Wisconsin	4,869.6	480,821	4.64%	10.1	1,727	—	11,846	24,549	1,832.6	1,093.1
*Excludes the waters of the adjacent Great Lakes. Areas listed in sq. miles: Lake Michigan (22,178), Lake Erie (5,002), Lake Superior (21,118), Lake Huron (8,975).										
WEST COAST—1,073,882 Registered Boats 10.36% of U.S. Total										
California	28,549.3	734,817	7.09%	38.9	2,407	3,427	14,928	30,088	10,458.8	6,967.6
Oregon	2,755.6	159,999	1.54%	17.2	889	1,410	11,257	22,464	1,074.4	595.9
Washington	4,630.2	179,066	1.73%	25.9	1,627	3,026	13,252	26,432	1,821.5	1,126.2
MIDWEST MOUNTAINS—1,039,287 Registered Boats 10.03% of U.S. Total										
Arizona	3,550.5	120,500	1.16%	29.5	492	—	11,364	22,764	1,364.2	759.4
Colorado	3,369.9	82,783	0.80%	40.7	496	—	11,917	24,375	1,311.4	774.8
Idaho	1,025.9	61,392	0.59%	16.7	1,153	—	9,606	20,677	361.5	186.8
Iowa	2,847.4	187,279	1.81%	15.2	309	—	10,764	20,618	1,106.2	569.6
Kansas	2,511.3	89,664	0.87%	28.0	499	—	12,177	23,065	959.2	541.7
Montana	819.9	34,343	0.33%	23.9	1,657	—	9,846	19,481	319.0	186.8
Nebraska	1,610.1	55,525	0.54%	29.0	711	—	11,455	21,846	611.3	331.2
Nevada	1,069.7	38,279	0.37%	27.9	667	—	13,158	25,891	439.8	271.9
New Mexico	1,537.9	34,549	0.33%	44.5	258	—	9,222	18,897	554.1	262.9
North Dakota	686.3	40,495	0.39%	16.9	1,403	—	10,200	20,440	249.9	127.4
Oklahoma	3,317.5	181,335	1.75%	18.3	1,301	—	9,153	17,715	1,257.0	559.4
South Dakota	722.5	45,867	0.44%	15.8	1,164	—	9,954	18,188	269.8	123.5
Utah	1,719.3	45,311	0.44%	37.9	2,826	—	8,955	23,418	536.0	311.4
Wyoming	490.1	21,965	0.21%	22.3	820	—	9,653	21,178	184.9	97.8
NON-CONTIGUOUS—76,045 Registered Boats 0.73% of U.S. Total										
Alaska	538.2	28,945	0.28%	18.6	20,171	31,383	14,327	31,558	185.6	125.5
Hawaii	1,104.5	14,250	0.14%	77.5	46	1,052	13,010	29,997	352.8	237.1
American Samoa	—	110	0.00%	—	—	—	—	—	—	—
Guam	—	526	0.01%	—	—	—	—	—	—	—
N. Marianas	—	470	0.00%	—	—	—	—	—	—	—
Puerto Rico	—	27,818	0.27%	—	—	—	—	—	—	—
Virgin Islands	—	3,926	0.04%	—	—	—	—	—	—	—

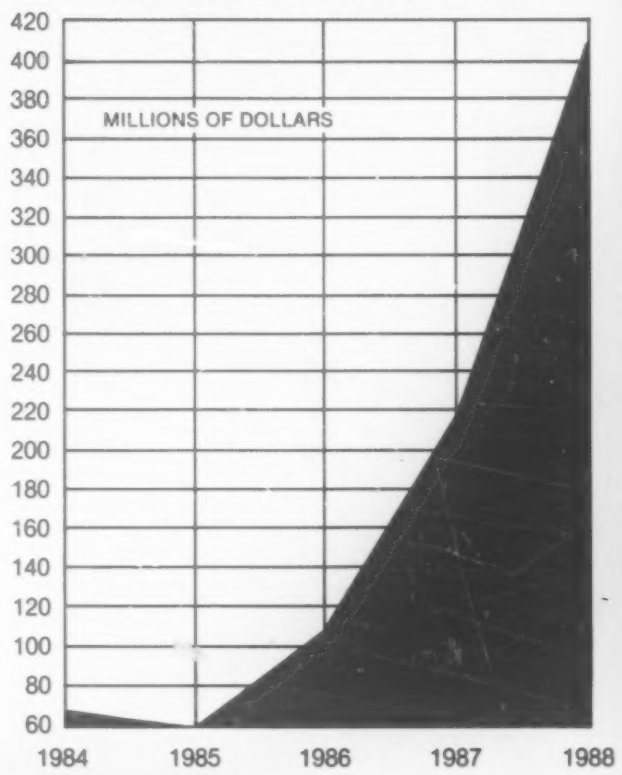
SOURCE: NMMA

Exports Gain For Third Straight Year

The export market for American boats and marine products again skyrocketed for the third straight year in 1988 (figures are one year behind domestic statistics), posting a **88%** increase to **$414,467,000**. Exports tend to rise and fall with the value of the dollar, but despite some strengthening of the dollar in '88 and '89, exports continued to rise through '89. As long as the U.S. trade deficit persists, the U.S. government is expected to continue a weak dollar policy, which promotes exports.

With slower sales growth expected domestically and encouraging changes expected abroad, such as the U.S./Canada free trade agreement, the unification of Europe and a lessening of trade barriers in Japan, U.S. manufacturers will increasingly turn to the export market to ensure overall market growth. Many of the larger U.S. exporters are developing manufacturing plants and captive distributors abroad.

DOLLAR VALUE OF BOAT EXPORTS



DOLLAR VALUE OF BOAT EXPORTS

Year	Value	%Change
1988	$414,467,000	+88.5
1987	$219,871,000	+98.1
1986	$110,980,000	+83.1
1985	$ 60,596,000	−7.1
1984	$ 65,249,000	−8.8
1983	$ 71,537,000	−37
1982	$113,661,000	−21.7
1981	$145,136,693	−26.0
1980	$154,842,274	+8.9
1979	$142,148,702	+60.2
1978	$ 88,724,112	+13.2
1977	$ 77,983,753	+4.8

BEST EXPORT MARKETS

American producers of boats and boating products found the markets listed below to be the most lucrative for their output.

Canada	$68,295,000
Japan	$41,237,000
West Germany	$32,995,000
France	$29,826,000
Italy	$27,483,000
Sweden	$27,286,000
United Kingdom	$25,456,000
Finland	$23,777,000
Netherlands	$23,049,000
Spain	$22,257,000

SOURCE: NMMA

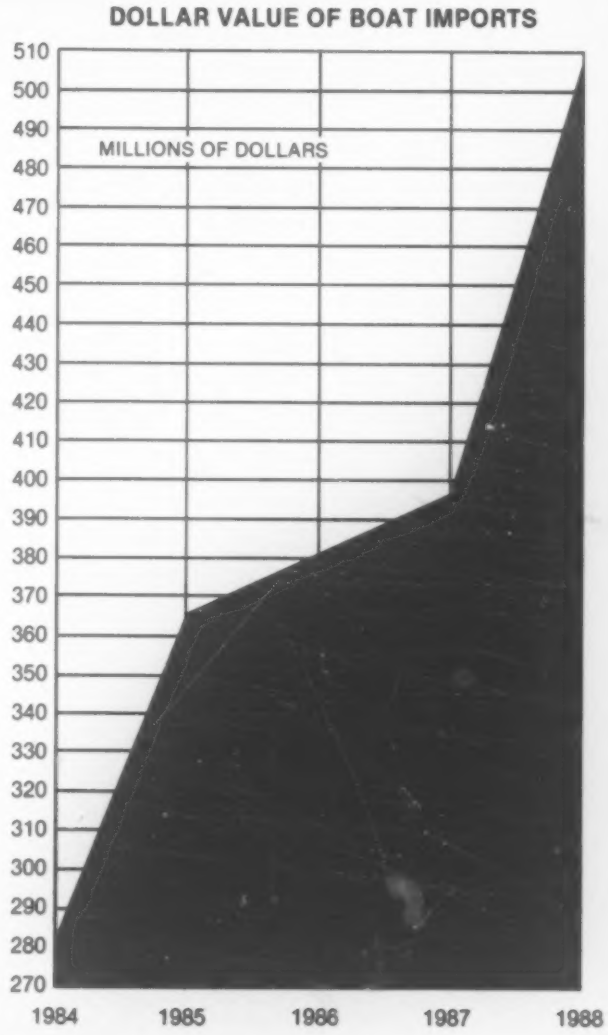
Imports Grow Despite Weak Dollar

Boat and boating product imports rose dramatically in 1988 (figures are one year behind domestic statistics), topping the $500 million mark at **$509,701,000**. Roughly 8% of the **28%** overall increase was due to a weakening of the dollar. Not surprisingly, Japanese imports increased aggressively. The value of Japanese imports more than doubled, increasing from $59 million in '87 to **$122 million** in '88. The hot personal watercraft market and outboard market penetration account for the lion's share of the true increase.

The value of Dutch and Italian imports also increased dramatically, rising over **400%** each. Just a few units from the Dutch maxi-yacht producers could well account for that country's increase from $11.2 million in '87 to **$50.2 million** in '88. The value of Italian imports, meanwhile, increased from $9.8 million in '87 to **$44.4 million** in '88.. The most significant decline in imports was experienced by Taiwan, whose exports to the U.S. fell by **$27 million**. The combination of the weak U.S. dollar and weak sailboat market put a dent in Taiwanese imports, but the country remained ahead of Japan as the leading importer.

DOLLAR VALUE OF BOAT IMPORTS

Year	Value	%Change
1988	$509,701,000	+28.0
1987	$397,519,000	+7.2
1986	$370,890,000	+.9
1985	$367,395,000	+29.6
1984	$283,519,000	+42.2
1983	$199,359,000	+32
1982	$151,225,000	−8.2
1981	$164,712,949	+28.0
1980	$128,233,550	−4.7
1979	$134,541,117	+27.3
1978	$105,657,112	+32.1
1977	$ 79,965,379	+41.4



SOURCE: NMMA

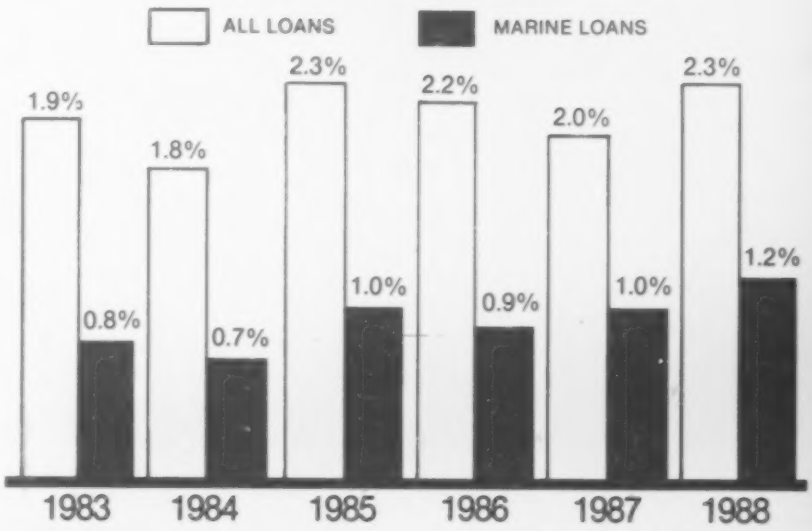
Financial Marketplace

A higher level of commitment to the boating market was the chief ingredient of success for recreational marine lending specialists who enjoyed growth in fiscal 1988. Marine loan activity for these firms saw dollar holdings advancing **22%** and unit volume gaining more than **7%**. The proverbial "big got bigger" while the small continued to fade.

At the close of 1988, NMBA members held approximately **$4 billion** in consumer boat loans and floorplan lines. Latest statistics show average dollar transaction per boat loan by NMBA members increased to the **$32,500** level; the average boat sold in the U.S. has a **$7,700** to **$8,500** price tag. Borrower profiles shifted to those a bit younger: the typical NMBA boat loan customer is 39 years of age, has a household income of $67,000, owns a home (84%), has a working spouse (62%) and 1.4 dependents. From this data it would appear that reporting members' best customers are those buying their second or third boat.

Marine loan delinquency in 1988 of **1.22%** continues running approximately one-half of total consumer loan delinquencies, while marine charge-offs of .20% are just over one-third the rate of all consumer loans. In comparison, the American Bankers Association reports that at year-end 1988, 1.92% (units) of auto direct loans were delinquent and auto repossessions (not charge-offs) were .103%.

AVERAGE DELINQUENCY



SOURCE: NATIONAL MARINE BANKERS ASSN.

Accidents and Fatalities Decrease

In 1988 the number of boating accidents reported to the Coast Guard fell to 6,718, a **.5%** decrease over 1987. Also, 90 fewer lives were lost and 25 fewer persons were injured in boating accidents reported to the Guard than in '87. The fatality rate per 100,00 boats declined to 5.5 from 6.1 in '87.

1985	1986	1987	1988	
6,237	6,407	6,746	6,718	Boating accidents reported to the Coast Guard
8,305	8,399	9,020	8,981	Boats involved in accidents reported to the Coast Guard
1,116	1,066	1,036	946	Lives lost in boating accidents reported to the Coast Guard
2,757	2,847	3,501	3,476	Persons injured non-fatally in boating accidents reported to the Coast Guard
6.9	6.5	6.1	5.5	Fatalities per 100,000 boats

SOURCE: U.S. COAST GUARD

Marinas and Boatyards, 1989

Profits were up in most marinas and boatyards in 1989. As marina seasonal rates peak over $100 per foot or $17 per foot per month, market levels seem to soften with about (5% of the slips unfilled, yet gross income continues up. Marinas are beginning to realize the need to expand marketing of their boat services and upgrade their site for family use. If the predicted market slowdown hapoens in 1990, economic history shows that those with boat repairing should boom as customers fix and upgrade boats instead of trading in for new. More marinas are converting to seasonal rates based on square feet of space occupied versus the antique l.o.a. method; with a few eying cubic formulas when slip dredging is a major expense factor. The boom is off dockominiums, after a first high burst of activity, sales generally seem to go in slow motion. Dockos should, however, do well in those few areas with extreme shortages of larger slips and where states discourage expansion.

Great Lakes marina development is still chugging along very well. But some other states are going wild in thwarting marina growth. Delaware has frozen all marina permits until an acceptable plan is adopted in 1990. Florida proposes limiting boats berthed to no more than one per hundred feet of show along manatee waters. New Jersey, declaring TBT a harmful pesticide, wants all marina and boatyard employees who scrape and paint boat bottoms to become licensed pesticide applicators. Maine (with 14-foot tides twice daily) and several other states are considering bans on building rock breakwaters for unfounded fear that they might create "stagnant water" dooming many new marina projects to inadequate wave protection and probable failure. If there ever was a time for this industry to rally with facts, education lobbying and research, now is the hour to become environmentally aggressive. The world's first international conference on marina environment is scheduled for next September in Washington, D.C.

Three natural disasters hit marinas in different ways. Hurricane Hugo devastated the Virgin Islands, eastern Puerto Rico, and South Carolina; within the week, most dock manufacturers had sales teams on their shores. Results of the International Marina Institute's study of Hugo's marina damage will point to design changes, including longer piles. The earthquake that stopped the World Series and crippled marina district homes only shifted a few piles along San Francisco's marina facilities, but doubled overnight their number of live-aboards.

The marina business has helpful allies. Maine Maritime Academy graduates its first associate degree class next spring in boatyard skills and operation. The International Marina Institute conferences, publications and training are helping build a strong core of marina technology and professionalism. The University of Wisconsin Sea Grant's 16th annual national docks and marinas conference continues high levels of excellence. NMMA reoriented its boating facility committee's goals and staff to strengthen its political impact for expanding facilities. More to come in 1990.

The Average Dealer

Packaged boat sales through mega-dealerships, often with multiple locations, continued to account for an ever-growing percentage of total retail sales during 1989. However, sales were soft for the majority of retailers. After six consecutive years of substantial growth and escalating operating costs, many retailers were caught ill-prepared for the decline that took place.

Discount selling became almost a way of life, as well as often the only means of moving large-ticket merchandise in some regions.

As inventories increased, profits declined—due, in part, to fewer overall sales as well as the continuing change in product mix. Packaging of boats, motors and trailers, which included large amounts of hardware and accessories, cut profits. This package selling of boats reduced retailer sales of the smaller-ticket items that have traditionally increased overall profit potential because of they're higher margins. The cost of financing overstocked dealer inventories cut dramatically into profits as well.

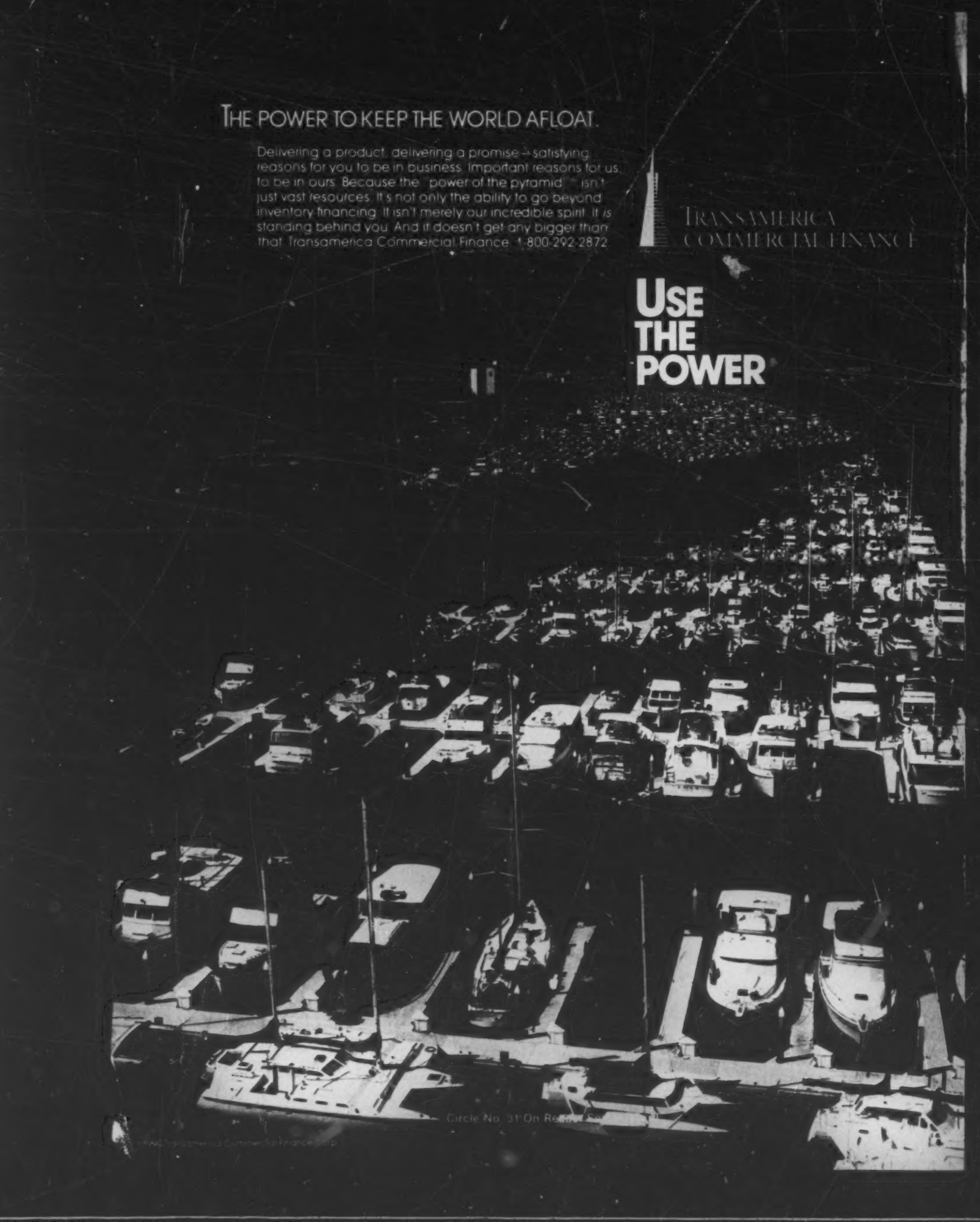
During 1989, new equipment and service sales at the retail level broke down as follows: boats **59%**, service **14%**, outboards motors **10%**, parts & accessories **10%**, trailers **3%**, and miscellaneous **4%**.

From 1984 through 1988, the number of boating retailers in the nation increased by nearly 3,000, or **20%**. Late in 1988, that number began a gradual decrease as one retailer after another was forced to close his doors—usually for financial reasons.

During the last half of 1989, these closings ran 7 to 8 per week. It is estimated that about **15%** of the nations dealers will have closed there doors by the end of 1990.

The trend toward packaging boats, motors, and retailers continues to create a host of service problems for some dealers, while it is a mixed blessing to others. Confusion and concern also exist due to the entry of motor makers into the boat manufacturing area of the industry. Concern and unanswered questions still exist relative to how these crossovers in product lines affect dealer franchises and their long-standing loyalties to certain manufacturers and builders. There was also substantial used product inventory carried over. These were mainly trade-ins of boats and motors.

Lack of dealer territory franchise protection on the part of some manufacturers has also caused heavy financial loss for some retailers. Overall, dealers remain strong, have better facilities, more buying power and greater business know-how than ever before.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